



2 Emerging Market Bargains to Buy Right Now

Description

If you want to improve your odds at getting excess risk-adjusted returns (market-beating gains) over the long run, you should think about giving your portfolio a jolt with some emerging markets exposure. Following the February-March coronavirus meltdown, the top emerging market plays of yester-year are now trading at very steep discounts. Venturing into the emerging markets comes with higher long-term growth prospects, but for a greater degree of risk you'll have to bear.

Amid the COVID-19 crisis, many emerging markets plays look downright toxic, especially those with sub-par liquidity positions and extremely disrupted operating cash flow streams. Indeed, many emerging market plays could lose you a heck of a lot of money if you don't put in the proper due diligence beforehand.

If you're hungry for big gains and are willing to put in the homework, though, now is as good a time as any to start doing some buying with the great emerging market plays on the **TSX Index**.

Consider heavily out-of-favour shares of Canadian bank stock **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and battered shares of **Fairfax Africa Holdings** (TSX:FAH.U), which are currently off their all-time highs by 34% and 78%, respectively. Indeed, the latter play is not for investors who are strangers to volatility. But if you're willing to go against the grain, the name is capable of massive gains once COVID-19 is finally conquered.

For those who don't want to bet on such a heavily out-of-favour stock, Bank of Nova Scotia looks to be a dirt-cheap way to play an emerging markets comeback. Shares of both stocks look to have bottomed out, but which, if any, is worthy of your portfolio at this market crossroads?

Bank of Nova Scotia

Bank of Nova Scotia (or Scotiabank) is Canada's most international bank, with its sizeable exposure to the Latin American market, among other countries that the bank provides investors with exposure to. For many investors, Scotiabank was viewed as a one-stop-shop to gain international financial exposure.

Of late, internationally focused banks have been falling out of favour. In an era of coronavirus, international exposure may be seen as a major sore spot, and that's a major reason why Scotiabank has been lagging many of its Big Six peers.

Provisioning numbers have been surging for Scotiabank. While management noted that its fiscal third-quarter results would be a high watermark as far as provisioning was concerned, I do think there's potential for downside surprises if this pandemic drastically worsens going into year-end.

The stock is already priced with [pessimism](#) in mind, though, at just 1.1 times book value, making BNS stock one of the cheaper ways to bag a safe dividend that yields north of 6%.

Fairfax Africa

What a brutal year it's been for Fairfax Africa. The stock has collapsed from \$15 to \$3 and change, with a market cap that's compressed to \$100 million. It's been a brutal year for Prem Watsa and all of his publicly-traded Fairfax firms. As you may know, Watsa is Canada's Warren Buffett, and he has a knack for spotting macroeconomic trends and capitalizing on them with bold bets.

Africa is one of the fastest-growing emerging markets on the planet. Unfortunately, the [COVID-19 crisis](#) had blindsided the firm that had so much promise. With shares trading at a 50% discount to book value, I'd say now is the time to load up on shares if you're looking for a front-row seat to potentially off-the-charts growth to be offered from the African market that will rise again, even with the devastating setback brought forth by the pandemic.

If you're willing to hang on for at least 10 years, Fairfax Africa is a play that's far too cheap to ignore. For everyone else, I'd just nibble into a position gradually over time because the pain may not be over for FAH.U shares just yet.

CATEGORY

1. Coronavirus
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3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:HFPC.U (Fairfax Africa Holdings Corporation)

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